GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1782
ANSWERED ON:04.08.2005
STRATEGY IN OIL PRICING
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has drawn long term plan to study the situation and evolve the long term strategy in pricing taking into account the behaviour of international oil markets and the domestic impact;

(b) if so, the details thereof;

(c) whether the oil companies have agreed to the suggestions made in the long term plan prepared by the Government; and

(d) if so, the details thereof ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS & PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (d): In April 2002, as a long term strategy, with the intention of moving to market determined pricing for petroleum products, the Government announced the dismantling of the Administered Pricing Mechanism (APM). In practice, however, Government continued to intervene in regard to the pricing of sensitive petroleum products, namely, petrol, diesel, kerosene and LPG.

Since June 2004, recognizing explicitly that international prices of crude oil and petroleum products decisively impacts the domestic prices, Government elucidated the principles which would govern its policy of containing the burden of increase in international prices on consumers of sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and oil companies. Government for their part, have reduced the duties on sensitive products effective 19-8-2004 and subsequently in the current budget. The Oil Marketing Companies(OMC), in accordance with administrative instructions, have been modulating the impact of high oil prices on domestic retail prices of sensitive products.

Government pricing policy attempts to strike the right balance between the interests of the stake-holders, namely, consumers, OMCs and the Government.